GOVERNMENT OF INDIA
FINANCE AND COMPANY AFFAIRS
LOK SABHA

UNSTARRED QUESTION NO:645
ANSWERED ON:21.02.2003
WORLD BANK ASSISTANCE
SRINIVASULU KALAVA

Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether some States are seeking massive financial assistance from World Bank to meet the contingencies arising out of their structural adjustment programme

(b) if so, the details of these States;

(c) the States which have sent their projects to the Union Governmentto recommend their projects to World Bank and the amounts thereof ;

(d) whether the Government have formulated any guidelines in this regard; and

(e) if so, the details thereof?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS[SHRI ANANDRAO V. ADSUL]

(a): Yes, Sir. Some States have requested Govt. of India to seek financing of their structural adjustment programme from the World Bank.

(b)&(c): Proposals have been received from State governments of Andhra Pradesh, Karnataka, Orissa, Maharastra, U.P. andTamil Nadu. So far the Govt.of India has posed the proposals for AP, Karnataka and Orissa to the World Bank and their programmes are under preparation.

(d)&(e): Yes sir. The guidelines are annexed.

Annexure

Structural Adjustment Assistance Facilities Guidelines

Some State Governments have been keen on accepting multilateral institutionalfunding to assist in undertaking fiscal and structural reforms. The key focus of the reforms is to bring fiscal deficit to a sustainable level and elimination of revenue and primary deficits. Since, in the past, there has been no uniformity in the Structural AdjustmentLoans (SAL) being taken up by the different States with multilateral institutions like the World Bank, ADB etc., the institutions are being advised to ensure certain commoncriteria as a pre-requisite for accessing these facilities:

(i) Putting in place a programme to undertake Structural Adjustment Programme for sustainable poverty reduction, and aimed at generating primary and revenue surplus and limiting consolidated fiscal deficit to less than 3% GSDP over a medium term (3-5 years).

(ii) Programme for elimination of subsidies and a sustainable programme for power sector subsidy elimination or containment.

(iii) Civil services reforms including reduction in administrative costs of governance.

(iv) Public Sector Enterprises reforms including disinvestments.

In view of the need to continue with sector intervention strategies, particularly in the context of the Millennium Development Goals, not more than 20-30% of the annual commitments from World Bank/ADB would be taken up in the form of SAL. An overall focus on poverty reduction and sector specific parameters(infrastructure, education etc.) which are ingredients of MDGs should also be reflected in the action programme of the SAL. The SAL should not be used for meeting revenue deficits.

The SAL would be based on a fully developed multi-year programme and negotiated as one single programme with multi-trache releases linked to achievement of specific reform milestones agreed upon. The multi-year programme would be fully laid out in the Bank`s project documents, while the legal agreements for allocation of funds may be processed separately for different tranches.

Requests of State Governments for availing of this facility with clear monitorableindication for the above programme would be then

discussed by GOI with the World Bank and the State concerned. Appraisal and negotiation stages would follow, depending onthe States` commitments to the FRF facilities.

Once the loan is put through and is under implementation, where the adjustment programme of the State has fallen behind by six months or is likely to be pursued further, the adjustment programme could be called off and the remaining undisbursed assistance cancelled.